

SUMMARY
Virginia Housing Commission
House Room C, General Assembly Building
September 5, 2012
10:00 AM

Members Present: Senator Mamie Locke, Senator George Barker, Senator John Watkins, Delegate John Cosgrove, Delegate David Bulova, Delegate Rosalyn Dance, Delegate Barry Knight, and Delegate Daniel Marshall.

Staff Present: Elizabeth Palen

I. Welcome and Call to Order

- **Delegate Cosgrove** called the meeting to order at 10:00 A.M.

II. Update; Virginia Housing Trust Fund

- **Mr. Bill Shelton**, *Director Department of Housing and Community Development*: (refer to the VIRGINIA HOUSING TRUST FUND handout, (see materials)) . I was asked to give you a brief update on the housing trust fund. Many of you are familiar with how we got here. Creating a trust fund in Virginia has been talked about for a long time, but in last year's budget there was an item added into the Department of Housing and Community Development's budget, which was the first installment a seven million dollar deposit into what is called the Virginia Housing Trust Fund. And there was legislative language inserted in the budget that governs exactly how we should structure that fund, at least, give some guidance. Just to touch the high points, I'm sure many of you might be familiar with this, but it will be jointly administered by both the Virginia Housing Development Authority and the Department of Housing and Community Development and specifically it asked that the two agencies collaborate in coming forward with a plan to the monies committees by November 1, 2012 on how we would structure such a program in Virginia.
 - Again, just hitting the highlights, the budget language talks about eighty percent of the fund going for loans. For flexible financing and low interest loans to support affordable housing, it mentions looking at leveraging opportunities. And, as always, when we use the word loans, they are to be repaid to the fund at some time; we could be flexible in structuring the finance, but they are structured as loans.
- **Delegate John Cosgrove**: On that first bullet, it says "loans through eligible organizations" what would define an eligible organization?
 - **Mr. Shelton**: Eligibility is really two issues; what the funds could be used for ;for affordable rental housing, which could either be new construction, rehabilitation, or acquisition. Also talks about down payments for single-family ownership and also references short, medium, and long term loans to reduce the cost of homeownership and rental housing. That gives a fair

amount of flexibility. Guidelines say up to eighty percent what happens to the residual, it says up to twenty percent may be used for grants. We are not required to use it for grants, so we could go above the eighty percent on loans, but no more than twenty percent can be used for grants. And those grants are to be targeted for the reduction of homelessness. And then it gives specific language about what types of uses you might consider and it talks about rental assistance, not to exceed one year, this is an important concept. It talks about housing stabilization services for permanent support of housing, it talks about mortgage foreclosure counseling which has been an issue that has been prominent for a while now since the economic crisis, and then it talks about pre-development assistance for permanent support of housing for homeless populations.

- **Mr. Shelton:** Mr. Chairman, you asked about who is eligible to participate, the language in the budget bill talks about local governments, and housing authorities, regional and statewide housing organizations, which we interpret to be the nonprofits and other regional and local organizations that are engaged in housing development; especially for affordable housing. And then it mentions limited liability companies for the express purpose of owning and operating affordable housing. And this is how we are going to bring in the private sector. Most affordable housing deals are structured as limited liability companies and this captures that and allows for that flexibility to have a variety of partners participating in joint ownership of housing and we will have private sector opportunities, also.
 - As I mentioned, we have this mandate to have a plan back to the General Assembly by November 1, 2012. One of the first steps that we did, is we convened a meeting of stakeholders groups. We pulled folks together and said that this is what we think all this means and how we might think about approaching it; and input was received from a variety of organizations about what they would like to see, which is not so much in content, although there was a fair amount of content discussion, but more about process. And one of the things that I think that there was a pretty strong consensus that we needed to go around the state and give folks a chance to come and tell us what they would like to see us do with this initial installment of this Virginia Housing Trust Fund. And so we have held a series of seven regional sessions across the Commonwealth, and over 250 participants had participated in those, to tell us how they think the fund can be used.
- **Mr. Shelton:** I think that gives us fairly broad sense of what needs are out there. The types of needs folks would like to see addressed and the strong interest and for use of the fund. One other key piece of this is that we know that we have a number of state agencies that have intersect with the whole housing need and there is a huge amount of discussion in a variety of different areas especially in the Health and Human Services arena about the intersection between housing and other state priorities. For example, we have the Department of Justice settlement now that has a strong housing component imbedded in it. We have had the Governor's appointed group looking at the prisoner reentry; housing is a

prominent discussion component in that group. You have the Disability Commission group; where housing is also discussed. Right up and down the line housing is key issue, so, we pulled together a meeting of state agencies to talk about what they see; what kind of resources they had; and how this trust fund can be coordinated. We might fund through the trust fund, or perhaps some of the grant money going to services with the broader services needs for those populations, because, folks cannot operate independently without some level of support, if they are coming out of mental institutions, or out of correctional settings. There needs to be some very targeted case management around those individuals. And that is typically what those agencies do but without the housing component, they won't be so successful reintegrating people into the community. There is a lot of discussion about this and we also, asked for written comments and that closed on August 31, 2012. We received have a variety of written comment and survey responses. So there will be no shortage of information to work on to put the plan together.

- The highpoints, of what we are hearing is that that most all have strongly recommended more affordable rental housing. There are shortages even with the housing prices; it has left the housing at reduced prices available to a lot of single families, but it has also, in many markets, driven up the demand of rental housing and there a struggle to meet especially for these special needs population, which often need those layering of subsidies to be able to solve that there is a need for more rental housing development. We've also seen the need for housing for high need populations, that I've referenced earlier, especially with the disabilities communities, the chronically homeless, veterans, and the very low income, and it, typically, cannot be met by normal market housing.
- **Mr. Shelton:** The state has embarked on a major emphasis on reduction of homelessness. We have put a lot of resources towards that solution. We are hearing that there needs to be more resources allocated to help folks with their efforts to reduce homelessness in their communities. And they somehow see another connection between the trust fund and those efforts. There should be sufficient flexibility to meet a variety of local circumstances. And again, this is a theme that we often hear what the solutions looks like in Fairfax County, may be very different in what they look like somewhere else. So whatever we do, we need to think about a structure which can work in a variety of different settings for a variety of different housing needs, if your needs are very focused on preservation, you'll need a different tool box, than if you were trying to deal with permanently housing the homeless, for example.
 - And then, finally, balancing fund sustainability with loan terms that increase affordability within serving the very low income. This is perhaps our biggest challenge that somehow our loan program envisions return on investment of those funds, at the same time, help the very low income needs. When we had the previous iteration of the Virginia Housing Partnership Fund what was needed was a very patient loan capital subordinated debt, perhaps very preferred interest rates, maybe balloon notes coming due later in a project, to allow for cash flow. We are going

to have to look at all kinds of issues in structuring this, going forward, if we are going to meet those special need populations.

- **Del. Cosgrove:** Isn't that basically, how we got in a lot of trouble that we are in right now? Wouldn't that be like subprime type of program?
 - **Mr. Shelton:** Well, Mr. Chairman, the subprime program is primarily an issue of finance for single-family housing not for multi-family. I think most of my reference may be in that last bullet would be primarily focused on rental housing and structuring assistance to make it more affordable to very low income residents who are not candidates for home ownership. Talking to the realtors and others there is a strong interest in creating those bridges and ladders for folks to get into homeownership. But, they are talking about folks not at very low income but on the moderate income side where they are just at the point where they could perhaps be homeowners, just need minimal assistance, which might be a down payment assistance or something of that nature, but that is a very different population, and they still have to be credit worthy and still be able to qualify for a mortgage.
 - I think with our experience we could be able to address this with VHDA. We have folks who could qualify for VHDA mortgages; but, many times that down payment assistance is something that is a bridge to allow folks to come into that product and be very successful. I think there rates of delinquency and foreclosure are less than market and certainly very favorable. I don't think we have that subprime issue; it is more an issue of bridging a gap to get people into and matched to the right product. But yes, we would be very sensitive as to not put people at risk and I think what we are talking about in that bullet is primarily rental housing.
- **Mr. Shelton:** The key issues that we are going to have to define in this plan, I don't have the answer today, but I will point you a little bit towards what we are struggling with, obviously, seven million dollars and the needs are very diverse around the state, and if you are involved in any way in the developing industry, developing any type of multi-family housing project in Northern Virginia could be a \$25 or 30 million project. It is not hard to figure the matching of seven million dollars, up with the needs, is going to be very difficult, but we are going to do some prioritization and targeting and need to address this issue in terms of what depth of subsidies we will ultimately provide. One thought that we are kind of mirroring several of these things of, in trying to look at state policy priorities, might be to do some demonstrations, pick one of these policy arenas like the Department of Justice settlement, for example, or Prisoner reentry and do a very targeted product to do two or three projects that would demonstrate how that can be done effectively into communities. And then, if they were successful then that would be something we would want to revisit as to whether this was something to be a state priority for funding or whether it could be done through other means.
 - Again, matching assistance to identify needs, same issue you raised about making sure we match those subsidies to rental housing, where folks who can afford ownership but also have an ownership product perhaps, at least, to be able to determine whether those are needs that will be a priority for

this fund. And then, a question that we would need to make a recommendation on is the language in the budget act that calls for the plan. Our plan for how we are going to operate the fund, how to restructure this for going forward; we have the existing Virginia Housing Partnership Fund language, it hasn't gone away, there is some limited amounts of money that come into that periodically, through things like the Real Estate Transaction Fund and a few other so that when we get a balance above a certain level it get deposited to the fund.

- There's also been legislation over the last eight years or so, some of which came out of this Commission, proposing a Virginia Housing Trust Fund many of which took the old partnership fund language and kind of recast that. And so one of the thoughts is, is that we might apply in the plan that we put forward, of how best to structure something going forward. One idea might be just to use that existing partnership fund structure or perhaps amending it, and something I know that this committee would be very interested in, and I would certainly like to work with you on that.
- **Delegate David Bulova:** Getting to that particular issue with respect to taking recommendations and putting them into the Code, so that there is some permanency to it and getting it out of the budget language; what is your timing for looking at that, and how specific do you intend to get within this report? How would you envision this being put into the Code? Or are you going to lay out some principles for us to digest, and then since we just started a budget cycle, is this something that we would visit during next year's Housing Commission cycle?
 - **Mr. Shelton:** My reaction first of the operational side of how this would operate, I think, very much could be this cycle or next, because the partnership fund pretty much has that language in it all ready, it can be tweaked. It already talks about the VHDA payroll, the VHCD and the process for going forward. I think most of those bills that have come out previously the core of that code language pretty much stayed intact. I think that could be done in the future year and given the date, we could perhaps make a deposit this year, and then we could amend the language going forward, if there were additional funds to roll into the fund. What we will do in the plan will also be able to discuss priorities, I would be a little concerned to put in the Code, codify the priorities, because those priorities, as I mentioned earlier, they are diverse and they range from year-to-year.
 - I think what we would like to see is the ability to have outlined in the Code a process for how we arrived at those priorities and, right now, it says the Board of Housing and Community Development will adopt a plan annually with suitable consultation. That is one way to do it, but to make sure there is some way for the public and the constituency to participate in that process, but let that be a living document so that it could more forward by going around where the needs evolve over the years, depending on how the money comes into the fund, what you would do with that would be dictated on how much money was in the fund. The

discussion with realtors, for example, was about seven million dollars, it's kind of hard to see it having a huge impact on the single-family side, just because of the magnitude of the issues that are out there, but if it was a larger fund then perhaps there would be some language that talks about how you would address those needs. These are just examples.

- **Mr. Shelton:** Next steps, in going forward, obviously we've gotten a lot of input, so we are going to be reviewing all of that, very shortly. We have already started that process and we will be drafting a plan that would be submitted to the Secretary and the Governor. It will then be transmitted to the money committees by the November 1, 2012 date, our target. We are going to do everything we can to have that done on time. We are acutely aware that there is also an intervening session. We are keeping in mind that this funding does not flow until July 1, 2013, so that's means there could still be action that may be considered, or other bills that go through the General Assembly may affect the outcomes.
 - We would have to have some process for adjustment if that occurred. Preparation for coordination between the agencies, that is primarily where we have already started the dialogue between VHDA and VHCD, as well as, the other state agencies that have an interest in this, and we are on track to be able to have the program up and running by the first of 2014, fiscal year, which is July 1 of next year.
 - We are pretty much on track, we would be happy to work with you and do a presentation on the content of that plan in the future date, if you should desire.
- **Del. Cosgrove:** You mentioned before about the LLCs being part of the process, have they been part of the process up until now, or will you talk with them if they make this happen?
 - **Mr. Shelton:** They certainly were invited. At various levels we had for-profit developers at the regional meetings. We have received letters from the private sector folks. Altogether, we have only received about sixteen letters and most were from state-wide organizations, but I know, one of the things that has come up is the coordination with this potential fund with the tax credit program, which is a key development program for the private side.
- **Senator John Watkins:** You talked with Social Services, Behavioral Health and Developmental Services, DMAS, are you aware of what the Secretary of Health is doing in conjunction with these agencies concerning dual eligibility and being able to identify those individuals to make sure that they get the adequate assistance, and that everybody recognizes how much assistance they are receiving and from where?
 - **Mr. Shelton:** Through a different vehicle, we are very much involved in that, remember that the Governor had a state housing policy, and one significant component to that was the homeless coordinating activity, and we have been actively meeting with Health and Human Service Secretariat and the various agencies. Talking about they are the lead in that whole system and the question then becomes they are working on developing that system, so then, the question becomes, such thorny issues, such as

because of privacy rules who has the right of access to that sort of thing, in a nonprofit homeless service agency actually gets access to information for making sure that they are doing the appropriate referrals and matching and so, yes, we are definitely, having that dialog.

- I don't know if we have a solution plotted yet, but they're working on state computer contract that essentially provides that vehicle for doing that and we are very much having the dialog. We are not driving the bus, but we are there at the discussion level and very much interested in it. And I think we are following that right now. I don't know where that is going to get to, in terms of its accessibility to data, but I think it will serve the state agencies, well. We are not ones of those who has rights of access to it, nor would it be appropriate. It is really the service providing agencies at the community level that perhaps need access to that information.
- **Sen. Watkins:** But don't you think it would be important that if its state tax payer dollars and appropriation is going into that, that at least, you should be hooked to the bus.
 - **Mr. Shelton:** Absolutely, I think we got to get the vehicle out there and then see what the legalities are and who can have access to it. Perhaps, a different way to think about this, one of the things and we have mentioned a lot of these special needs populations which I think intersects pretty closely to what you are talking about. Typically, there is some service providing organization at the community or regional levels, so, for example, in the mental health community its Community Services Boards, and so it would be obvious that they would be doing the case management, perhaps around that population and they would need the access to make sure that all the services money that was coming to the table. Typically, there is not housing money available to those agencies. One of the things that I know from the housing industry side that if you are in the housing business and someone needs those services and cannot get access to it you would be successful in providing the housing without the individual being able to access the services side.
- **Mr. Shelton:** A lot of discussion around we have been working with the Secretariat on the Department of Justice housing plan that is coming up there. The key issue is identifying those regional organizations or the community organization depending on where it is appropriate, it differs by region and making sure that they have access to that information because they are the ones that are going to be doing the case management wrapped around those individuals to make sure they get the services.
- **Sen. Watkins:** I would point out to the Commission that we had a fairly extensive briefing at DOJ settlement and the subsequent ruling on the part of judges on how that is going to be handled and the housing piece of it is probably one of those most critical pieces for Virginia, because the judge very explicitly stated I am not going to close any state housing for people with disabilities, but you have to put in a plan that provides housing and opportunities for those individuals to come out of those institutions. That's where I think this keys back and we need to make

sure that, that is integrated with Social Services and Behavioral Health and Disabilities Services people.

- **Mr. Shelton:** I would say, Mr. Chairman, that there have been ongoing meetings, all the way back, even before the final plan was signed off on. There has been a housing work group between VHDA and the Social Service agencies involved, basically, looking at the housing component, candidly, the 60 million that the General Assembly put into the trust fund for this purpose. I think there is only 800,000 earmarked for housing specifically. So, that doesn't buy very much housing. The key issue that kind of comes up over and over again, not just in that population, but the issue if you are going to provide a choice for an individual to transition, and they are going to move to wherever they are going to move to, there are kind of two or three components. The biggest one though that enables everything else is probably the ability to finance the housing component but it's the income component, or the rent subsidy which is going to be key.
- **Mr. Shelton:** Where that resource comes from right now the primary rent subsidies are coming through the federal government and they are all spoken for and the waiting list is a mile long. And so we are just adding to that list, and we are trying to work around one of those strategies for bridging across either on a temporary basis; but that makes me very nervous because this says up to one year, so if we did a demonstration and we did it for one year what happens at the end of one year somebody has got to be standing in line to provide that rent subsidy, or else you are in a more difficult situation, which is someone who can't survive at that location without that rent subsidy.
 - That isn't a plan, exactly. We are looking at other federal resources and I think we will likely be pulling out anything that we can provided it can be matched up with resources in the future and that's the only source that we know of right now.
- **Del. Bulova:** Thank you, Mr. Chairman. Building off what Senator Watkins was saying because I think that is really critical, it is great that we have the seven million dollars to get this thing kicked off since most of it will be loans, hypothetically, it's going to regenerate itself. In my neck of the woods, the Northern Virginia training center is scheduled to close in the next couple of years. You have other training centers in other parts of the state that are under this same situation and it is the housing that is going to be the critical part, so I am glad that you are making the connection. I guess my question is in the process that you are going through now you are getting a lot of input on what are the needs, and obviously our ability to fund those are going to be limited, but are you going to be talking about how to fund this in the long term to make sure that it is stable and I guess even more importantly in looking at the DOJ and how that effects it? Are you all going to come up with a recommendation for how much money it is going to take to do that? My fears is that we are walking down this road without a real clear idea of what it is going to cost in the very short term in order to make this DOJ settlement happen especially, with housing and so we have an opportunity here but I want to make sure that we take care of that opportunity and that we are

being honest with ourselves about how much it is going to cost, and if there is a way to make that work.

- **Mr. Shelton:** I would tell you that this plan probably won't address that larger figure. I think it is very difficult for us to meet that need for a couple of reasons. One is the magnitude of it is not thoroughly enumerated in terms of knowing exactly what the depth is of that need, and another key component is one of the things that we are looking at on this depending on how we structure this; we will inform ourselves as to how much it would really take to do that. So I think one of the issues is you are kind of speculative at this point until we actually get out there and actually structure a projects that use existing resources because we are not talking about new money other than the seven million, it is very difficult. So then, it is just rearranging what existing resources are there and I think that is a longer term conversation.
- **Mr. Shelton:** I agree with you whole heartedly and we have certainly looked at that and it is a lot of different sectors because it is not just the DOJ piece of it; we have to look in a broader context for the money follows the person grant and all the people were coming out of institutions that are not DOJ related. It is also prisoner reentry fees; it's also the homeless fees; you can get overwhelmed with this in a hurry. I think that demonstrating successful solutions and breaking this off, how many can you deal with a certain amount of money then you could begin making formed decisions. I think we always get wrapped around when we talk about well this number is so big there's no way we are going to solve it.
 - But, for example, when the DOJ piece, I think we are talking about four thousand individuals. Nine hundred which are actually institutionalized and the other three or four thousand basically are qualified for and eligible and therefore, could be part of the same DOJ settlement agreement and solving that is a pretty big number. And so that one we can kind of begin to enumerate but that isn't going to give you the total answer that you are looking for.
- **Sen. Watkins:** Please keep in mind I think that David Buliva is exactly right. The DOJ piece is four thousand people perhaps, and that does not even address the folks that are on waivers right now and the acuity of their situation in the long term either and what kind of housing is going to be available and where it's going to get funded.
- **T.K.Somanath:** In my day job, I am president of a nonprofit housing corporation called The Better Housing Coalition in the Richmond metro area. We are participating in a program that is sponsored by the VA Administration and we our housing in our communities about forty homeless individuals with some serious mental health issues and physical disabilities; and what it requires is a coordination of services. The VA has stepped up and they have gotten some special allocation funding, and they are coordinating the service part with the housing piece. They've been able to secure the Section 8 rental assistance to help a lot of the homeless merchants to be housed in permanent housing. That is the only way to solve the homeless issues, but on the social side of the issues, it is very hard for groups like us, to secure the funding to do the service component. So the VA has stepped up with their social service infrastructure, so they are

coordinating not only the housing piece, for example, of your housing almost forty of them in a facility using the VHDA federal low income tax credit. We can keep the rents low being able to secure those Section 8 certificates, which Bill eluded to, is the key component to subsidize the tenants rents along with the services being provided by the VA.

- **Mr. Shelton:** I think that there is maybe some lessons learned; in looking on how they are facilitating this, as well as, some cost structure and still with all of this there are some gaps. And since we are providing the housing piece we still have to raise monies from the local funds to fill some of those areas not being covered by the VA.
- **Del. Cosgrove:** Thank you, Mr. Shelton, very much. Next on the agenda are reports from our different working groups. If the Chairs are here, we will ask them to report what's happening in their groups. First on the list is Delegate Daniel Marshall, who Chairs the Affordability, Real Estate Law & Mortgages Work Group.

III. Work Group Reports

- **Delegate Bob Marshall:** The work group met twice May 14 and July 31 and we have also scheduled a meeting for October 11. The May meeting was dedicated to discussing whether or not a thirty- day requirement is relevant for an apartment hotel or motel room to become a dwelling unit thereby having to behave in accordance with a the VRLT and comply with the requirements of the landlord tenant law. This stemmed from Sen. Locke's SB 35, 2012. Tom Lisk outlined the differences between a hotelier and a landlord. Then, RL Dunn and Chip Dicks said, an agreement needs to be reached, so a draft is to be presented and maybe Chip can give us an update. Is there anything new to report on that?
 - **Mr. Chip Dicks:** Work in progress on the draft; no consensus as of now.
- **Del. Marshall:** Additionally on July 31, at the meeting, there was discussion of false advertising; liability of real estate brokers and salespersons; exemptions stemming from HB 724 by Del. Yancey, 2012. Steve Pearson with the Virginia Trial Lawyers Association was unable to be here so Chip Dicks, again, made the presentation. The issue will be continued to be discussed at our October 11 meeting. Also a presentation by our industry people led by Debra Allen from Virginia Land Title Association, and Myrna Keplinger of the Virginia Land Title Association took place. We will meet next meeting is October 11, 2012.
- **Sen. Watkins:** Mr. Chairman, before you go on, I would like to ask Delegate Marshall have we gotten any follow up on the SCC and the Bureau of Financial Institutions on the mortgage licensing. Have they given us a progress report this year?
 - **Del. Marshall:** Yes, the SCC presented this early in the interim, we will send it to the other members.
- **Sen. Watkins:** It would seem to me before we get to the end of the year we need to start preparing legislation to inquire: i) if there is further refinement that needs to be done, and ii) what is the status of the licensing?

- **Del. Marshall:** Agreed, every year since we put that bill in, back in '08, we had to evaluate and up-date every year. So, I don't think anything would be different this year.
- **Del. Cosgrove:** Elizabeth, let's make sure it's part of the full Housing Commission meeting in Roanoke this year. Next, is Housing and Environmental Standards that is chaired by Senator Watkins.
- **Sen. Watkins:** Thank you, Mr. Chairman. We had two meetings, as well. One was on May 9 and the other August 22. On the May 9 meeting, we deliberated and talked about the grandfathering of certain kitchens, this was a piece of legislation that Delegate Spruill had submitted with regard to churches. It became a little difficult to adequately define exactly how something like that would be placed in the State wide Fire Code. So the subgroup suggested that he may want to revisit that piece of legislation that in its current form we were not in a position to recommend it to the full committee.
- **Del. Cosgrove:** Was somebody there from the Fire Code to speak?
- **Sen. Watkins:** Certainly there were several people, both from the state and from the Fire industry present at the meeting. We also looked at Delegate Hugo's bill Alternative Onsite Sewage Systems and we got a brief overview of that. It talked about certain exemptions being allowed for requirement for operation. As a result of that, the August 22 meeting, was dedicated almost entirely to looking at two former bills: HB 942 Delegate Lingamfelter's bill, and HB 1071, Delegate Hugo's bill.
 - Delegate Lingamfelter put together sort of an ad hoc group that is looking at particular problems that are associated with Fauquier County. We had input from Loudoun County. We had input from Allen Knapp with the Department of Health and we also had input from Eldon James who spoke on behalf of Delegate Lingamfelter; specifically about the Fauquier County situation. The Commission, nor the subgroup did not have any recommendation.
- **Sen. Watkins:** We are going to meet one more time and we will consider it a little bit further; but it presents some unique problems, because when you are using these alternative systems to not have some mechanism for inspection, you are creating a liability that particularly when you get into rental housing and, you can have big legal problems associated with it, even with the individuals, it becomes, if you look at the economics of it, and you look what the cost would be if you had a municipal system connected, even a monthly basis verses these alternative systems cost to have inspected and please keep in mind we are trying to keep the inspection in the private sector.
 - The Department of Health has put in place a registration system where they are beginning to track all of these alternative systems. I asked that they revisit their questionnaires with regard to the information and criteria that's been required to put in there and that they track the fees associated with these inspections and post the fees so that the public has a full breadth of knowledge of what people are charging where and what becomes affordable and how to compare that with the cost of a traditional systems or a municipal system.

- **Del. Marshall:** The only thing that I would like to add is that Delegate Knight and I serve on Counties, Cities and Towns in the committee that I Chair this bill has come before us three years, in a row; and the problem is in rural areas the cost of inspection is pretty high.
- **Sen. Watkins:** We recognized that and we are hoping that by saying to the Health Department if you are going to track these things the information that will, at least, keep it competitive, in particular, in the rural area because we recognized that, that is a problem.
- **Del. Knight:** Senator, I remember distinctly when I was at that last meeting and we saw a range of roughly \$200 to up to \$1,500 to \$2,000 with your recommendation that the Department of Health track the costs. Typically, it was about \$350 and if that is to be spread out every year, and if a builder would pick up the cost for the first two years, and it was 350 a year, that isn't too bad.
- **Sen. Watkins:** Fifteen hundred to two thousand dollars per inspection, is exorbitant. And we want to send the message that we are going to post that number out there, and if that is what you are charging, you are going to have to stretch it a long way. You can say that, but even at \$1500, when you compare what you pay for a connection fee and what you would pay for usage on a monthly basis it is not as exorbitant as it seems, but it's when you get a single bill for \$1500, that's a lot.
 - But, anyway, we intend to finalize discussions, hopefully, Delegate Lingamfelter's ad hoc group will make a final play, if you would at the next meeting and finally, have a recommendation on that. I would also comment that the Housing and Environmental Standards Work Group is waiting in great anticipation for a certain report dealing with cash proffers and where they have taken us and what they are doing to us.
- **Del. Bulova:** Just to add something real quick to the issue with the alternative on-site systems. Not to make it even more complicated then I know it is, but I think one of the interesting issues is a relationship of that with the Chesapeake Bay TMDL , in meeting those, it was representative by the gentleman of the Department of Health, and also, Angie Jenkins from DEQ that our current plan our watershed implementation plan does rely on full implementation of the inspection schedule that is currently a state regulation.
 - The question I asked, because it is important to me, was if we were to change that would that cause them to have to go back and modify our plan for meeting the Chesapeake Bay TMDL and they thought that it would. And so, again, I think with more competition the problem kind of solves itself, but even if we didn't change it, it simply does require us to go back and look at allocation of who's reducing what and that might not be something we want to open back up.
- **Mr. Mark Flynn:** One comment about the reports we received on the AOSS's in August; what was really of interest to me, is that some of this, at least in Loudoun County, the serious problems that were identified through an inspection a lot of times were not problems related to the age of the system. Instead, we heard, the problems were related specifically to what happens when commercial lawn services in Loudoun County use mowers and knock the pipes and cause discharge

on the surface. One of the issues, has been, is it possible to extend out the time between inspections? That information indicated to me that extending that out may not work to the benefit of the public health. I had figured, that the when equipment got old, and when it gets worn out then problems occur; but it turned out that is not the experience, at least, in Loudoun.

- **Del. Cosgrove:** The next thing on the agenda is the Common Interest Communities, and I Chair that work group. We have had three bills that we have been studying. The first bill was the Condominium and Property Owners' Association Act; the posting of documents on the associations website. We are working on some language and it's not clear as to what documents need to be posted on the website. I think this bill will probably be ready for prime time by the full commission meeting. It just needs a little bit of tweaking and Elizabeth is working on doing that with the draft.
 - The second bill is from Delegate Scott it's basically, adopting an enforcement of rules of property owner's association. At this point and time, we will still discuss it, if he still cares to but it doesn't look good. It doesn't appear to be going anywhere. The other bill that we looked at was a bill that removes the cap on charges a unit owners association may assess; and that is not really met with a lot of favorable action, either. When you remove caps and you and I will explore what these fees may be it is pretty scary for anybody who has a condominium or is part of a homeowners association. So those are the three bills that we dealt with, so far, in that working group.
- **Del. Cosgrove:** I also Chaired the Time-share Work Group and last year we had a very, very lengthy time share bill that basically gutted most of the development community parts of that bill and implemented more consumer protection parts of that bill full disclosure requirements and what the property associations must do and how they have to provide that information, in a timely manner.
 - This year we are working with the other half of the bill dealing with the developers and the developer control period, and the time share bill has not been worked on since 1984. It is time to take a look at how the whole timeshare industry operates.
 - Right now, every time share that is built or will be built must be turned over to a homeowners association at some point in time. We need to be looking at the market and seeing if that is indeed what should be happening now. We listened to timeshare builders who are in the industry and these buildings, especially the ones on the coast, take a beating and after about twenty years they live out their useful economically viable life, however, the developer can't say I am going to buy everybody's interest back unless they consent to it, because that is the way the contract is written. I don't think we could change that but I think we need to be looking forward to see if there are things that we can do in the timeshare instruments that will allow develop control to be exactly that and the perpetuity of the timeshare, as long as it is agreeable to the person that is purchasing the timeshare, at that time. So it is a fairly complex and drastic change from the way that the timeshare has been done in the past but

looking at the market right now in the way other states are doing that is something that we are working on very hard. We will have at least, one or two more meetings to deal with the Timeshare Act revisions; and we are very fortunate to have some really good folks working on that working group. Delegate Knight has joined in; there are quite a few timeshare places in and around his district. So we will continue in working on that.

- Delegate Dance is not here and Elizabeth Palen will give the report for Neighborhood Transitions and Residential Land Use.
- **Ms. Elizabeth Palen:** The group met at the end of July and had a discussing regarding two issues. The first issue involved Stafford County. The locality was releasing the bonds from developers without the roads within housing developments, being accepted into the state road system. The locality had been releasing the bonds, evidently, too soon because there were not adequate funds available to bring the roads up to par to have those roads accepted into the system.
 - A representative from the homebuilders association also spoke and his feeling was that it was an issue that was just a Stafford County issue and that most developers would wish to finish the roads to keep their good reputations as developers.
 - The localities opinion on that was that they were dealing with developers, that because of the economy, were disappearing from the area, and then the locality didn't have any way to recoup those funds to get the roads up to speed. The group discussed it and felt that maybe this was not a bill that should affect all localities in the Commonwealth and did not vote for it to go forward to the full Commission.
- **Ms. Palen:** The other issue this group looked at was the inclusion of green factors on house appraisals. Last year during the Legislative Session, there was interest in having a study on appraisal practices, because currently when housing appraisers access homes, they don't look at factors such as solar power or any green factors in assessing a house. Two bills were put in during session; Delegate Tata's and Senator Wagner's and neither passed; but, because of that, DPOR began a study to look at incorporating those factors into appraisal practices, but they have to take there clue from what's being done on a national level. Mark Courtney, of DPOR, will report to us, in November, to let us know what is being done on a National level and with the appraisals in Virginia.
- **Del. Cosgrove:** Senator Barker would you like to tell us how your CCRC work group is doing?
 - **Senator George Barker:** We've had one meeting of the sub work group. I think it was a very good, open meeting. We had a large number of panelists who participated, including a number of resident of retirement communities. There were roughly three dozen or so continuing care communities around the Commonwealth and we are looking at a variety of different issues that have arisen there and what types of actions may or may not be appropriate to be considered in the future.
 - At the first meeting, we had a very good discussion and we are going to follow up with a second meeting this afternoon to begin to hone in on

issues and there maybe have one more meeting after that, too, to finalize some recommendations. There are two majors issues that we are wrestling with; first, trying to make sure that we have proper safe guards and protections in place for the resident who made financial investments in these communities. To that effect, at the meeting this afternoon we are going to have representatives from SCC come talk about the information in their over site role. The talk will center on, what type of information is collected and what type is not collected and how we might address the issues to make sure that residents investments in those communities are safe guarded.

- **Sen. Barker:** The second issue is the role of residents in governance. There has been tension on that issue between the residence and some of the facilities. There are a large number of the facilities around the Commonwealth that do have residents on the governing boards and there are other facilities who don't have residents' on the governing boards, so there are some issues there as to how we make sure that there is a voice for residents in that but we do it in a way that is appropriate and protect the interest of the operators of the facility as well. And so those are sort of the two major issues we are looking at and we do hope to be coming forward with some recommendations for the full housing commission to consider on that issue.
- **Del.Cosgrove:** Now for the presentation on Winchester Greens.

IV. Winchester Greens Presentation

- **Mr. Bob Newman:** Thank you, Mr. Chairman. I am the Vice-President and Chief Operating Officer of Better Housing Coalition, which is a nonprofit community organization that works in Central Virginia and has been doing so for close to twenty –five years. I was asked to make a presentation about one of our developments Winchester Greens, which is located on Route 1 in Chesterfield County off of Jefferson Davis Highway.
 - Better Housing Coalition, as I mentioned, has been active in the Central Virginia area for close to twenty-five years. Over that time, we have developed a number of communities in Richmond, Henrico, Chesterfield and Petersburg. In terms of developments that we have developed now total about 1500 residential units that we manage, as well. Winchester Greens is a community development that was formerly known as Park Lee Apartments; a community that was a project based subsidy community with some project HUD subsidies. It was foreclosed on by HUD, in 1996, I believe, and subsequently acquired by Better Housing Coalition, in 1997. The property was managed by absentee managers, by absentee landlords. It was approximately, fifty percent vacant at the time of foreclosure despite having some project based rental subsidies available to residence. It was a hot bed of crime and criminal activity. It was a very high concentration of poverty. In fact, the profile of the residence was very similar to a public housing community. This was not technically public housing, but the average income was about \$6,500 per year, ninety-eight

percent of the household setting comes below \$10,000, and a hundred percent incomes below \$20,000 dollars.

- **Mr. Newman:** The community was built in the 1960s and it was really a very obsolete design. All apartments were two bedroom apartments, that were about 600 sq. ft., very small, not very functional apartments. They were designed with interior corridors. A lot of vandalism occurred in these corridors that were basically, semi-private spaces, and very energy inefficient. I mentioned before that there was a lot of criminal activity in this community some was, I think, the result of this kind of design with a lot of publicly, semi-private spaces that were not really owned by anybody but some of it was also because of the high concentration of poverty and absentee landlords.
 - There were, in fact, the quarter that we acquired the property there were 300 police calls, in the previous quarter, in other words, and average of 1,200 police call to this address prior to our acquiring the property. This gives us some visuals of what the property looked like. There were potholes, which doesn't even begin to describe the condition of the area. There were dumpsters in the front doors of properties. There was a lot of no- man- land where a lot of the criminal activity accrued. Our involvement with the property, was at the invitation of Chesterfield County and VHDA. It was at the invitation of those parties for us to come and look at redeveloping this community in a way that could transform it from its historic problem state into a much more vibrant community.
 - And so we approached it by inviting residents of the community and stakeholders to provide input into the planning process which I think was a key component to the ultimate success of the development. We developed to the property using new herbarist principals. You will later see some images of the new community; but the original apartment community was redeveloped into 240 townhomes, and subsequently added 174 senior apartments. There's a state of the art child day care center that provides services up to 140 children. There are recreational pocket parks in the community. There is a community center that's locust of a lot of our social work programs then after school programs things of that type that are of great benefit and has led to some of the great results that we have had in this community. There is a recreational area like swimming pools. There's subsequently assembled some property that allows us to have done some commercial development on the highway frontage, and we have plans for a single-family subdivision that we hope to be developing soon.
- **Mr. Newman:** The redeveloped community is composed of two and three bedroom townhomes that rent for, basically, market rate rents. I mentioned before that there were a lot of very low income residents living in this community the fact that it was a fifty percent vacant at the time we had acquired the property gave us an opportunity to redevelop this in a way that allowed us to commit to those residents that if you wanted to continue to live in this community you could do so. I mentioned before that this use to be a project based assisted community and it's no longer a rent assisted community, in that sense, although the original

residence that were very low income that were living there were given a tenant based voucher so many of them choose to continue to live in the community many of them 15 years later still live in the community and have a much better situation.

- Again, using new urbanist principals, we were sensitive to architectural design, attractive and functional and safe spaces were created. There is a lot of engagement with sidewalk networks, pedestrian networks throughout the community front porches which are crucial to creating eyes on the street and a safe community, much improved lighting. The lighting of the community is tremendous and creates a lot of safe space where it used to be dark and inviting of criminal activity. There is a child day care in the community operated by the Greater Richmond YMCA. There are office buildings that we have development in the community.
- The original development had a development cost of about \$21 million which included the 240 new townhomes and the thirteen thousand five hundred foot daycare center. There has been subsequent development phases since then added to that. We had a lot of collaboration with different providers of services in the community the Chesterfield County library and a lot of other county programs. There have been Bon Secours Health Systems, boy scouts, 4H program, church groups working in the community a variety of adult literacy, financial literacy programs, afterschool programs, and etcetera. There is a community garden and the residents were active in planning and developing.
- **Mr. Newman:** A key component to our success over these years in our active management in this community have been the fact that one we are the property managers of the community and so we are where there used to be absentee landlords; we are very prominently present on-site every day and that is crucial and in conjunction with that we basically have changed the expected level of behavior in the community, so that the formally dysfunctional behaviors that were commonplace and excepted in the community were no longer acceptable. And during a transition period, the norms of behavior in the community had changed.
 - : The other key component to our success in the community is our ongoing investment in what we call community social work programs. And we talked about some of those the afterschool programs, the adult literacy programs. In our senior communities which were subsequently developed there's a lot of assistance to help the seniors in the community with specialists that are gerontology nurses but this has been what has allowed some of the amazing outcomes that we have achieved. For example, I mentioned before that before we bought the property there was an average of 1,200 police calls to the property that went down very dramatically and very quickly as we redeveloped the property and it has stabilized at a level that is more than ninety percent below that level ever since then and actually the nature of the calls use to be rape, drug dealing, prostitution, arson, child abuse. All the things that you would not want to see in a healthy community, the few calls that still exist are much more benign in nature. You know reporting somebody speeding through the

property or suspicious character, a domestic dispute or something like that, but no more than any other residential community.

- I mentioned before that there were some subsequent development phases but most of those were adding some senior apartments in three separate phases. These were financed through VHDA using debt and low income tax credits through VHDA, but we provide now 174 very affordable senior apartments in this community that have a full array of services that I described before and those services by the way are provided to our residence at no cost to them.

- **Mr. Newman:** Some of the other developments that we have done subsequent to the original development has been commercial development that has provided, not only retail outlets and options for our residence, but employment opportunities, and basically some conveniences and amenities to the community. In addition, to retail there are some office buildings that we developed; Chesterfield County is our prime tenant and one of them is with some of their mental health programs. I mentioned that we have plans for a single family subdivision on property assembled after our original development and this is planned to be developed with our low impact development principals which really are focused on water conservation, preservation of existing stands of trees, etcetera that not only is more economical but more friendly to the environment and by preserving the big stands of trees leads for a more attractive development and new trees will be planted.

- The community over the years had acclaim, a lot of national recognition, it's received a lot of awards from foundations and other entities, as well as, it's received Governor Housing Awards, etcetera. I wanted to focus on some of the reasons, some of the things that I attribute to being the keys to the success of this community over the last 15 years. Basically, I think it starts with the fact that we have approached this with a holistic approach to community development meaning that we knew that it was very important to involve residents in the planning. That was one key component to hear what the residents wanted in the community and translate that into some viable development plans. To be very sensitive to design and you know this is a mixed income development; it used to be a project based rental assisted community with very low incomes. Now, it has great diversity of incomes in this community and while still serving some of the original residents of the former community. The design to making it a community that anyone would want to live was a key to making the mix income component possible.

- Also some of the financing that we were able to use here, a lot of times financing is restrictive about the kinds of incomes you could serve. We were fortunate to be able to use some financing that allowed a mix of incomes which has been really a key to the long term sustainable success of this community. We had great support from the local government from Chesterfield County among other things they assisted us in getting some bond financing through their industrial development authority to help finance some of this work, and also, helped us to facilitate some of the

zoning changes that we needed for the subsequent development that I described. I mentioned before and I can't stress enough the prominent onsite management. We are engaged and present and very prominently present in the community on a daily basis as owners and managers to the property. I think that is the key success to any kind of development as opposed to disengagement by the managers.

- Not to be understated at all we were fortunate to have adequate capitalization of the development here. I think that that is some that has allowed us to sustain our success over 15 years and for the foreseeable future. It has not been undercapitalized, it has not been overcapitalized. It's been adequate capitalization that has allowed us to keep this development moving forward on a day to day basis without having to make compromises that are counterproductive compromises and skimping on things. So the adequate capitalization of a development from the beginning is a crucial component to a successful operation over time and sustaining that over time.

- **Mr. Newman:** I want to end this with, I think, a key to the success of this community if the mission of the Better Housing Coalition. Our mission is to change lives and transform communities through high quality affordable housing and when we approach any development we approach it through that lens of that mission and I think that's different from approaching it with how can I maximize my profit on this? How can I get in and get out quickly? That is not what we are about; we are about staying committed to the communities we work in and truly changing lives.
- **Del. Bulova:** This is very impressive what you were able to accomplish and I commend you very much for it and I wish we could replicate it that in a lot more places. One of the questions I have, is how much did you solve the problem as opposed to shift the problem? I am curious what your thoughts are on that and, I guess, part of that is the original people who were in the original projects, how many of them ultimately wound up staying in the new development and were able to enjoy that 90 percent low crime rate vs. how many of them simply packed up and moved somewhere else?
 - **Mr. Newman:** I am really glad that you asked that question because that is one of the things that I am most proud of the approach that we took in our development. Often in a redevelopment and privatization of public housing communities the approach is to tear everything down, move everybody out, build something new. If some of those people come back fine, if not, I wouldn't say it's fine, but some people would say fine, because we now have a new community.
 - The thing that I am most proud of in our approach to this community is that we made a commitment to the residence of this community. If they wanted to continue to live there, they were able to do that. However, residents have to abide to the term of the lease and have to live up to these new community standards of behavior. Also, we had this opportunity with the fact that it was 50 percent vacant, which allowed us to redevelop this in a way, so we did it in phases, so that we didn't have to move anybody

off site during the redevelopment. It created some logistical problems during the redevelopment and extra cost moving people around. In some cases but the logistics of that it allowed us to basically say you live here you continue to abide by the terms lease and if you want to continue living here you can.

- **Mr. Newman:** So there were about 240 people living in the households at the time we acquired it. There were more than 180 of those ended up being residents that were initial residents of the community and 15 years later of those 180 there is still probably more than 50 of those families that are still living in the communities.
- **Sen. Watkins:** Bob, when did you all first acquire the property?
 - **Mr. Newman:** April of 1997 and it was foreclosed in the Fall of 1996.
- **Sen. Watkins:** When I was young and in the House of Delegates, I would do ride-alongs with the Chesterfield County police, and I visited that area on numerous occasions in the early mid 90s; he is not exaggerating at all. That was one rough place and what they have done is absolutely amazing. It really is it is a stellar example of how things can be done.
- **Mr. Newman:** I would like to emphasize we have taken similar approaches with other developments around this is not the only example of the work that we have done in this region. This was a way we could bring all elements together that are the keys to our success and approach everything in a sustainable way and have the healthy communities survive well into the future.
- **Del. Cosgrove:** Thank you very much. Okay, we are now in the part of agenda for public comments, if anybody in the audience would like to address the housing commission on any issue now would be the time. Okay, with that being said any other commission members have any other comments they would like to make before we adjourn.
- There was no public comment and the meeting was adjourned at 12:30 PM.